

Fiscal Note

Fiscal Services Division



SF 422 – Earned Income Tax Credit Increase (LSB 1123SV)
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Fiscal Note Version – New

Description

Senate File 422 increases Iowa's current Earned Income Tax Credit (EITC) from 7.0% of the federal credit amount to 20.0% of the federal amount. The change is retroactive to January 1, 2013.

Background

The Iowa EITC is refundable, meaning Iowa EITC beneficiaries receive refunds if the EITC exceeds individual income tax liability. According to the Department of Revenue, the current 7.0% Iowa EITC reduces net General Fund revenue by \$30.2 million (FY 2013 estimate).

Fiscal Impact

Increasing Iowa's refundable EITC from the current 7.0% of the federal credit to 20.0% will reduce net income tax liability of taxpayers by \$55.3 million for tax year 2013 and \$52.4 million by tax year 2017. The impact on net General Fund revenue by fiscal years is presented in the following table.

Fiscal Impact by Fiscal Year	
in millions of dollars	
	State General Fund
FY 2013	\$ -0.3
FY 2014	-56.0
FY 2015	-54.0
FY 2016	-53.2
FY 2017	-52.3

The Iowa EITC is refundable. Changes to refundable tax credits do not impact the local option income surtax for schools calculation.

Source

Department of Revenue

/s/ Holly M. Lyons

March 18, 2013

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
